

Drafting Deadlock-Breaking Mechanisms

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When Deadlocks Arise in Decision Making

- What is a deadlock?
 - Inability to make material decisions regarding the underlying business
 - One-time (e.g., hiring/firing)
 - Fundamental (e.g., do we enter into a new line of business)

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When Deadlocks Arise in Decision Making

- Required Vote to Take Action Can't Be Obtained
 - Unanimous/majority/supermajority consent requirements not met
 - Members have similar or equal ownership
 - Specific Member's consent is required to take specific action
- Owners have Fundamental Disagreement on Direction of the Business

When Deadlocks Arise in Decision Making

- Consequences of a deadlock?
 - Operations suffer
 - Distracting for management
 - Can't take specific actions

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